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SIPDIS
TELEGRAM

September 29, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 4372 - PRIORITY)
TAGS: ECON, PREL
Captions: None
Subject: IRAQ ECONOMIC RECONSTRUCTION: POST ASSESSMENT
Ref: None

C O N F I D E N T I A L ABU DHABI 04372

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INFO: FCS
CXABU:
ACTION: ECON
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DISSEMINATION: ECON
CHARGE: PROG

APPROVED: AMB:MMWAHBA
DRAFTED: ECON:OJOHN
CLEARED: ECON:CMARTIN-CRUMPLER

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FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC PRIORITY 1851
INFO RUEHDE/AMCONSUL DUBAI PRIORITY 3437
RUEHZM/GCC COLLECTIVE PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK 1161
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C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 004372

SIPDIS

DEPT FOR NEA/ARP, DEPT FOR EB/IFD - BRIAN MOHLER

E.O. 12958: 9/28/08
TAGS: [ECON](#) [IZ](#) [PREL](#) [TC](#)
SUBJECT: IRAQ ECONOMIC RECONSTRUCTION: POST ASSESSMENT

11. Classified by Ambassador Marcelle M. Wahba for reasons
1.5 (b and d).

12. (SBU) Summary: Post believes that the UAEG will make a contribution to Iraqi reconstruction at the October donors' conference. We believe that the UAEG's preference, however, will be to provide "in-kind" contributions and services rather than cash. After running a 9% of GDP budget deficit in 2002, the UAEG significantly tightened

its purse strings over the past 10 months. By the end of the year, the UAE will have already contributed between \$80 to \$100 million of humanitarian aid to Iraq, so an approach that allows the UAE to pledge a multi year contribution is likely to get a more positive response than a request for immediate up-front cash. We believe that large-scale assistance (i.e., providing technical training or credit facilities) from the Arab Monetary Fund will likely be dependent on resolving Iraq's outstanding arrears to the AMF. End Summary.

¶3. (SBU) Post believes that the UAEG will make a contribution to Iraqi reconstruction. The security and stability of Iraq, and its ability to balance Iran, are a national security priority for the UAE. UAEG officials have told mission staff and official visitors repeatedly that Iraq cannot be allowed to fail.

¶4. (SBU) Minister of State for Finance and Industry Dr. Mohhamed Khalfan bin Khirbash repeated these points to Undersecretary of State For Economic, Business, and Agricultural Affairs Alan Larson on the margins of the IMF/WB Annual Meetings in Dubai. Dr. Khirbash told Undersecretary Larson that the UAEG had not focused on participation or contributions for the Madrid conference because it had been focusing on its preparations to host the IMF/WB Annual Meetings. He pledged that the UAEG would turn to this issue as soon as the meetings were over.

¶5. (C) Post is less confident about near term aid from the Arab Monetary Fund. According to AMF Director General Dr. Jassem Al-Mannai, Iraq owes the AMF approximately \$368 million (\$189 million in principal and \$179 million in unpaid interest) and is not eligible to participate in the AMF's Arab Trade Financing Program. He also noted that the AMF would take its direction on multilateral debt from the IMF (rescheduling, but probably little or no forgiveness).

¶6. (SBU) While the willingness of the UAE to "step up to the plate" is not in doubt, we are less clear about the extent of their ability to provide large cash donations this year. According to the IMF, the 2002 consolidated budget deficit was approximately 9% of GDP. Higher oil prices in the first half of 2003 have likely improved revenues and the UAE still possesses substantial overseas assets, but it will need to balance aid to Iraq with other domestic and foreign policy priorities. On several occasions during 2003, the UAE has deferred acquisitions or offered "in kind" foreign aid rather than cash payments. In fact, the UAE has already provided substantial "in-kind" assistance: including building hospitals, offering training to Iraqi bankers, and is considering training Iraqi police.

¶7. (C) Post suggests that our approach to the UAEG needs to address two UAE concerns: fiscal reality and the UAE's preference for providing assistance quietly rather than publicly. We strongly suggest that Washington NOT/NOT ask for any specific sum, but rather emphasize the leading role that the UAE has played as a member of the donors' group and encourage it to be as generous as possible. In addition, the approach should make clear that, while the USG is looking for "fast disbursing" grants, longer range assistance (monetary and in kind) is also welcome, especially if it can be committed to in Madrid. We also suggest that - if we have not already done so - we provide the UAEG with a list of specific sectors where in-kind assistance can be directed. We believe they would be responsive to requests for a variety of training needs as well as humanitarian support. This approach is likely to maximize the contribution that the UAE can and will make.

¶8. (C) The UAE also prefers to provide its assistance quietly, at least partially out of a belief that charity should not be publicly proclaimed. An approach that might address the UAE "publicity shyness" and our desire to obtain a large "up front" number to encourage reluctant donors would be take advantage of the UAE membership in the core group. If the core group were to make a group

announcement, the UAE might be persuaded to join in as a member.

19. (SBU) In the longer term, foreign direct investment will be key to Iraqi reconstruction. UAE businesses are interested in the investment opportunities in Iraq and their interest will likely increase when the security situation improves. To that end, UAE businesses would appreciate further transparency in the awarding of contracts and more information on areas for investment.

Wahba